

# **PUBLIC DISCLOSURE**

January 11, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

UBS Bank USA  
Certificate Number: 57565

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Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
San Francisco Regional Office

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This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## **INSTITUTION RATING**

**INSTITUTION'S CRA RATING:** This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

UBS Bank USA (BUSA) operated under one FDIC-approved Community Reinvestment Act (CRA) Strategic Plan (Plan) during the three year evaluation period. The bank substantially met the outstanding threshold for all but one of the goals established in the approved Plan.

## **PLAN PERFORMANCE**

BUSA's CRA performance under its approved Plan depicts an outstanding record of helping to meet the credit needs of its AA, as required under the Plan, in a manner consistent with its resources and capabilities. The following support this rating:

- BUSA exceeded the outstanding threshold for its new community development (CD) loans and investments goals in the three years evaluated.
- BUSA exceeded the outstanding threshold for its cumulative CD loans and investments goals in the three years evaluated.
- BUSA exceeded the outstanding threshold for its CD service hour goals in 2018 and 2019, but exceeded the satisfactory threshold in 2020.

## DESCRIPTION OF INSTITUTION

BUSA is an industrial bank, established in 2003, with a single location in Salt Lake City, Utah. UBS Group AG is the ultimate parent company of UBS. UBS Group AG is a global banking company headquartered in Zurich, Switzerland. UBS AG is a direct subsidiary of UBS Group AG. UBS AG is the parent company of UBS Americas Holding LLC and UBS Americas Inc. BUSA, UBS Financial Services Inc. (FSI), and UBS Securities LLC are direct subsidiaries of UBS Americas Inc. UBS is a specialized entity that offers products and services to the client base of its affiliate, FSI, which are both owned by UBS Americas Inc.

Certain operations of the bank are also conducted out of offices located in Weehawken, New Jersey; New York City, New York; Plano, Texas; and Jacksonville, Florida. The bank's customer base is sourced from the affiliate broker-dealer, FSI, which has offices located throughout the country. Lending products are not offered to the general public.

BUSA received an "Outstanding" CRA Rating based on Interagency Strategic Plan Examination Procedures at the previous FDIC CRA Performance Evaluation (Evaluation) dated July 23, 2018.

The bank's primary lending product is securities-backed loans (SBLs), which are typically demand and/or uncommitted lines of credit, secured by the client's equity securities, fixed-income instruments, and other investments. BUSA also offers mortgage loans, credit cards, and commercial real estate to FSI's client base. While the bank's primary funding source is sweep accounts in the form of money market deposit accounts, the bank also began offering certificates of deposits; however, these deposits are considered brokered deposits. The bank has not opened or closed any branches and there have been no mergers or acquisitions since the previous CRA Evaluation.

As of the September 30, 2020, Consolidated Reports of Condition and Income (Call Report), assets totaled \$77.8 billion, deposits totaled \$69.7 billion, and loans and leases totaled \$56.3 billion. In April 2020, BUSA began originating loans as part of the Small Business Administration's (SBA) Paycheck Protection Program (PPP) to help provide economic relief to small businesses that had been adversely impacted by the COVID-19 pandemic. BUSA partnered with Newtek Small Business Finance LLC (Newtek) in originating 3,677 PPP loans totaling \$684.1 million nationwide. The PPP loans retained over 25,000 jobs nationwide. The following table summarizes the bank's loan portfolio distribution.

<b>Loan Portfolio Distribution as of 9/30/2020</b>		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	1,707	0.0
Secured by Farmland	723	0.0
Secured by 1-4 Family Residential Properties	18,304,930	32.5
Secured by Multifamily (5 or more) Residential Properties	214,857	0.4
Secured by Nonfarm Nonresidential Properties	232,779	0.4
<b>Total Real Estate Loans</b>	<b>18,754,996</b>	<b>33.3</b>
Commercial and Industrial Loans	6,722,692	12.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	26,814,050	47.7
Obligations of State and Political Subdivisions in the U.S.	18,727	0.0
Loans to non-depository financial institutions	61,527	0.1
Other Loans	3,897,309	6.9
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>56,259,301</b>	<b>100.0</b>
<i>Source: Call Reports. Due to rounding, totals may not equal 100.0 percent.</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the AA's credit and CD needs.

## **DESCRIPTION OF ASSESSMENT AREA**

BUSA has defined its AA as the entirety of Salt Lake County, which is part of the Salt Lake City Metropolitan Statistical Area (MSA) #41620. The AA remains unchanged since the previous evaluation. The bank's AA meets the technical requirements of the CRA regulation and does not reflect any illegal discrimination or arbitrary exclusion of LMI areas.

To establish the bank's performance context, examiners relied on the bank's records, financial information, demographic data from the 2015 American Community Survey (ACS), Dun & Bradstreet, and other public sources, as well as information obtained from a community contact.

### **Economic and Demographic Data**

The AA consists of 212 census tracts: 7 low-, 51 moderate-, 86 middle-, 65 upper-income, and 3 census tracts where income information was not available. There were no distressed or underserved non-metropolitan middle-income census tracts within the AA. The following table shows select demographic, housing, and business information of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	212	3.3	24.1	40.6	30.7	1.3
Population by Geography	1,078,958	3.2	22.8	43.1	30.0	0.9
Housing Units by Geography	372,990	3.1	24.3	42.6	29.2	0.7
Owner-Occupied Units by Geography	233,092	1.5	17.5	44.9	35.6	0.5
Occupied Rental Units by Geography	118,800	6.4	36.9	39.4	16.1	1.2
Vacant Units by Geography	21,098	2.3	28.9	35.3	33.3	0.2
Businesses by Geography	109,968	2.9	21.2	39.3	35.8	0.9
Farms by Geography	1,703	2.2	19.8	40.2	37.3	0.4
Family Distribution by Income Level	247,693	19.9	17.6	22.0	40.5	0.0
Household Distribution by Income Level	351,892	22.3	16.6	20.4	40.6	0.0
Median Family Income MSA - #41620 Salt Lake City, UT MSA		\$71,849	Median Housing Value			\$247,942
			Median Gross Rent			\$966
			Families Below Poverty Level			9.2%
Source: 2015 ACS and 2019 D&B Data. Due to rounding, totals may not equal 100.0 percent. (* ) The NA category consists of geographies that have not been assigned an income classification.						

The following table shows unemployment trends in the AA in comparison with the state and national unemployment levels. The Salt Lake County unemployment rate peaked at 11.2 percent in April 2020 as a result of the global pandemic, referred to as COVID-19. Salt Lake County has recuperated most of those job losses since April 2020 and is recovering from the initial spike of job losses.

Unemployment Rates				
Area	January 2018	January 2019	January 2020	October 2020
	%	%	%	%
Salt Lake County	3.1	2.8	2.6	4.1
State of Utah	3.3	3.1	2.8	3.7
National Average	4.5	4.4	4.0	6.7
<i>Source: Bureau of Labor Statistics</i>				

According to the November 2020 Moody's Analytics, the Salt Lake City MSA had a strong economy, robust job growth, and low unemployment during a majority of the evaluation period. However, Salt Lake County was significantly impacted by COVID-19, but is now experiencing a rapid recovery. Retail, leisure, and hospitality jobs are expected to be impacted the most by COVID-19 in the bank's AA. The AA is experiencing an appreciation of residential real estate

values, the technology industry is expanding in Salt Lake County, and the AA has below-average business costs in comparison to national levels. Major employers include the University of Utah, Intermountain Health Care Inc., and Walmart.

### **Competition**

BUSA is a nationwide lender and its AA is highly competitive that includes a number of large national and regional financial institutions. According to the June 30, 2020 FDIC Summary of Deposits Market Share data, there were 41 financial institutions operating 212 branches within the AA. Of these institutions, BUSA ranked 4<sup>th</sup> with a 9.8 percent deposit market share. Many of these large financial institutions are operating under Plans, as well as being designated limited purpose and wholesale institutions for CRA purposes. These institutions provide a high level of competition for the extension of CD loans, investments, and services within the AA.

### **Community Contact(s)**

As part of the evaluation process, examiners reviewed a recent community contact with an organization serving Salt Lake County that provides entrepreneurial development counseling, training, and financing to small businesses. This contact noted that financial institutions have been active in participating in the SBA's PPP; however, there continues to be more opportunities for local financial institutions to provide further assistance to businesses affected by the economic impact of COVID-19. The contact also noted there is a proposed second round of PPP loans to provide continued assistance and support for small business, as well as the SBA's Economic Injury Disaster Loan Program (EIDL). The EIDL is designed to provide economic relief to businesses that are experiencing temporary loss of revenue.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contacts, needs assessments, and demographic and economic data, examiners determined that affordable housing, economic development, and community services for LMI individuals are the primary needs of the community.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the previous evaluation dated July 23, 2018, to the current evaluation dated January 11, 2021. Examiners used Interagency Strategic Plan Examination Procedures to evaluate BUSA's CRA performance. BUSA operated under one FDIC-approved Plan for this CRA Evaluation review period. The Plan was effective from the previous Evaluation through December 31, 2020. This CRA Evaluation compares the bank's performance in 2018, 2019, and 2020 to the Plan's measurable goals.

## **Activities Reviewed**

The evaluation reflects BUSA's CRA performance from January 1, 2018, through December 31, 2020. The following bank activities were reviewed under the three plan years:

- New CD Loans and Investments;
- New CD Loans and Investments plus total prior period CD investments; and
- CD services.

This Evaluation was performed remotely due to the implications of the COVID-19 pandemic. Examiners relied upon records provided by the bank. Examiners evaluated BUSA's CRA performance with the consideration of the following factors:

- Current economic environment;
- Demographic characteristics of the bank's AA;
- CD needs and opportunities for lending, investments, and services;
- BUSA's products, services, markets and business strategies; and
- BUSA's financial resources and constraints.

For purposes of evaluating the Plan's measurable goals, management provided data on CD loans, qualified investments, grants and donations, and CD services during the evaluation period from January 1, 2018, through December 31, 2020.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

BUSA's CRA performance under the approved Plan reflects outstanding performance in helping to meet the credit needs in its AA in a manner consistent with the established goals in the Plan. The bank substantially met the outstanding threshold for all but one of the goals established in the Plan. BUSA's management had a CRA action plan to meet the outstanding CD service hour goal in 2020, but several CD service activities were canceled due to COVID-19. The following information summarizes the goals delineated in the Plan compared to the bank's actual performance from January 1, 2018, to December 31, 2020.

### **Community Development Loans and Investments**

The bank established measureable goals for new CD loans and qualified investments to include qualified grants and donations. The measureable goal is for New CD Loans and Investments divided by the average assets for the four quarters within the current plan year. The bank's average assets is calculated by using line 9 of Schedule RC-K (Quarterly Averages) for the bank's four quarters in that for that plan year. The following table shows BUSA's actual performance compared to each measurable goal.

New CD Loans and Investments					
Plan One Year	Bank Established Goals		Bank Performance		
	<i>Satisfactory</i>	<i>Outstanding</i>	Loans and Investments Total (000s)	*Average Assets (000s)	Actual Performance
2018	0.50%	0.65%	\$453,152	\$53,721,726	0.84%
2019	0.50%	0.65%	\$467,257	\$57,477,116	0.81%
2020	0.55%	0.70%	\$619,054	\$75,775,697	0.82%
Source: BUSA Records, Plan, and Call Reports.					
*Quarterly Average Assets RC-K for the current Plan year.					

BUSA exceeded its outstanding goals throughout the evaluation period. The following are notable examples of CD loans and investments during the review period.

- BUSA renewed \$305.0 million line of credit every year during the evaluation period to a non-profit organization that provides financing to first-time homebuyers that qualify as LMI individuals. This organization primarily serves Salt Lake County, but also serves the broader area in Utah. These CD loans mainly provide funds to qualifying first time LMI homebuyers, as well as funds and resources to developers building or renovating affordable housing projects.
- BUSA renewed a \$25.0 million commitment to the Rocky Mountain Community Reinvestment Corporation (RMCRC) in 2018 and increased the renewal to \$30.0 million in 2019 and 2020. The RMCRC facilitates the development and preservation of affordable housing and communities that serve LMI individuals and families. RMCRC primarily serves Salt Lake County and the broader statewide area of Utah.
- BUSA renewed a \$7.0 million commitment every year throughout the evaluation period to a non-profit organization. This organization provides affordable housing opportunities to LMI individuals located within half a mile of high capacity or high frequency transit locations. This non-profit serves Salt Lake County and Wasatch Front Region. The funds allow developers to purchase and develop properties for LMI families near public transportation throughout Salt Lake County and Wasatch Front Region. Transit stops include commuter rail, light rail, bus rapid transit and core bus stops.

The second measurable goal includes all new CD loans and investments, including grants and donations, plus any prior period CD investments that are still outstanding at year-end for the plan year. The following table shows BUSA's performance compared to each measurable goal.

New CD Loans and Investments plus prior period CD Investments					
Plan One Year	Bank Established Goals		Bank Performance		
	<i>Satisfactory</i>	<i>Outstanding</i>	Loans and Investments Total (000s)	*Average Assets (000s)	Actual Performance
2018	1.00%	1.20%	\$733,144	\$53,721,726	1.36%
2019	1.00%	1.20%	\$764,504	\$57,477,116	1.33%
2020	1.10%	1.20%	\$915,071	\$75,775,697	1.21%
Source: BUSA Records, Plan, and Call Reports.					
*Quarterly Average Assets RC-K for current year; **Includes prior period investments outstanding at year-end					

BUSA exceeds its outstanding goals throughout the evaluation period. BUSA purchased \$102.1 million in 2018, \$100.0 million in 2019, and \$67.2 million in 2020 of mortgage back securities secured by homes purchased by LMI borrowers located in the regional area. BUSA through its partnership with Newtek also originated 792 PPP loans in LMI, underserved or distressed geographies totaling \$173.8 million nationwide that qualify as CD loans. BUSA met the CD needs within the AA; therefore, the nationwide CD activities count since the bank is a wholesale institution for CRA purposes. The PPP loans in LMI, underserved, or distressed geographies retained over 5,500 jobs.

The majority of the prior period investments outstanding include prior period mortgage back securities secured by homes purchased by LMI borrowers and prior period CRA Qualified Investment Fund balances at year-end.

### **Community Development Services**

BUSA established measurable goals for satisfactory and outstanding performance during the review period. The following table shows BUSA's actual performance compared to the Plan's goals.

CD Service Hours			
Plan One Year	Bank Established Goals		Bank Performance: Qualified Service Hours
	<i>Satisfactory</i>	<i>Outstanding</i>	
2018	510	660	778
2019	510	660	788
2020	510	660	519
Source: BUSA Records and Plan			

BUSA exceeded its outstanding goal for CD service hour goals in 2018 and 2019. UBS also exceeded the satisfactory goal in 2020. BUSA established an action plan to meet their outstanding goal in 2020, but their performance was impacted by COVID-19, as many CD service activities were canceled. The following are notable examples of CD services extended in the AA during the review period.

- BUSA employees used their financial expertise to teach elementary-aged students how to earn, save, and budget personal funds through in-person financial exercises provided to the children. The majority of the students participate in the National School Lunch Program for free- or reduced-lunch. BUSA employees volunteered 328 hours in 2018, 411 hours in

2019, and 57 hours in 2020.

- Three bank employees serve on the Board or financial committee for a non-profit organization that supports emergency shelter and health programs for the homeless. These employees contributed a total of 94 hours in 2018, 90 hours in 2019, and 59 hours in 2020.
- The bank's CRA officer served on four different Boards and three financial committees with eight different non-profit organizations during the evaluation period. This employee served a non-profit organization that supports educating and developing predominately low-income adults and children that are immigrants and refugees; and an organization that provides Adult Education Program for low-income individuals as well as child care services to LMI families. This employee also served on three CRA Grant Fund Committees with three separate organizations that included other bankers, non-profit partners, and county employees. All of the CRA Grant Fund Committee organizations targeted revitalizing LMI neighborhoods, CD services for low-income individuals, and affordable housing. This employee contributed 201 hours in 2018 and 201 hours in 2019.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping community credit needs was identified.

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area** (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.